GOVERNMENT OF INDIA
FINANCE AND COMPANY AFFAIRS
LOK SABHA

UNSTARRED QUESTION NO:5031
ANSWERED ON:25.04.2003
WORLD ECONOMIC SITUATION AND PROSPECTS
MINATI SEN

Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) Whether according to `World Economic Situation and Prospects 2003`published by United Nations, there is no hope of recovery from economic recession in the near future;

(b) if so, the details thereof;

(c) whether in USA the rate of domestic production now stands at 2.4% which is gradually on declining trend;

(d) if so, whether in this perspective the developing countries are not receiving foreign direct investment like earlier year;

(e) if so, whether the capital flow from the developing countries are faster than incoming of FDI for the last six years;

(f) if so, whether the Union Government consider for more investmentto create demands for industrial products particularly in the perspective of recession in USA and European countries; and

(g) if so, the details in this regard?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI ANANDRAO VITHOBA ADSUL)

(a) & (b) : The `World Economic Situation and Prospects, 2003` published by the United Nations, projects the world economy togrow by 2.75 percent in 2003, compared with 1.7 percent in 2002. However, the report mentions that world economic recovery is facing several risks and policymakers have limited room for maneuver.

(c): The report projects 3 percent growth for the US economy in 2003, which would be higher than 2.4 percent in 2002.

(d) & (e) : According to the report, foreign direct investment flows to developing countries declined by slightly more than a quarter in 2002. Low investor confidence reduced private capital inflows making 2002 the sixth consecutive year in which developing countries made a net outward transfer of financial resources.

(f) & (g) : External scenarios and developments are always taken into consideration while framing domestic policies. In India, industry and services sectors are currently performing much better than the previous year. Exports are also exhibiting buoyant trends. The latest Union Budget (2003-04) has announced initiatives for stimulating infrastructure development, agriculture, manufacturing sector efficiency and exports, which are expected to sustain and accelerate the growth momentum in the domestic economy.